

FIRST PHONE

RECEIVED

2005 JAN 14 AM 10:43

T.R.A. DOCKET ROOM

Tennessee Regulatory Authority
460 James Robertson Pky
Nashville, TN 37243

Dear Sharla Dillion

04-00293

Enclosed is a copy of my license to do business in Clarksville/Montgomery County and the Holt & Co D B A First Phone agreement showing my 50% ownership in the business

I have also included the income statement and balance sheet for First Phone ending December 31, 2004

If you have any questions or comments, I can be contacted at 931-431-6316

Sincerely,
Jack W. Fruite

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JAN 14 2005

TN REGULATORY AUTHORITY
TELECOMMUNICATIONS DIVISION

WILMA K. DRYE, MONTGOMERY COUNTY CLERK

LICENSE
0077986

MINIMUM BUSINESS LICENSE AND GROSS SALES REPORT

RECEIPTS

RETAIL .00
RETAIL RATE 3/20 of 1%
WHOLESALE .00
WHOLESALE RATE 3/80 of 1%
EXPIRATION DATE 03/31/2005
PER PROP TAX NO

GROSS SALES TAX .00
LESS CREDITS .00
LESS PER PROP TAX .00
NET TAX .00
PENALTY .00
INTEREST .00
RECORDING FEE 5.00
ADVANCE MIN LICENSE 15.00
PENALTY ON MIN .00
INTEREST ON MIN .00
WARRANT FEE .00
MISC COST .00
20.00

Cash Check 20 00 Check No 5898
PD wk13 Drawer 13 Site 1
Work Date 01/12/2005

DETACH THIS PORTION FOR CONFIDENTIAL FILE

WILMA K. DRYE MONTGOMERY COUNTY CLERK

350 PAGEANT LANE, SUITE 502
PO BOX 687
CLARKSVILLE, TN 37041

LICENSE
0077986

MINIMUM BUSINESS LICENSE AND GROSS SALES REPORT

Mailing

Location

18597 FIRST PHONE
P O BOX 504
CLARKSVILLE TN 37042

FIRST PHONE
3281-B FORT CAMPBELL BLVD
CLARKSVILLE TN 37042

JACK W PRUITTE

RETAIL

ACCOUNT NUMBER 18597
TRANSACTION NUMBER 1
CLASS 02
SALES TAX NUMBER

ISSUE DATE 01/12/05
TAX PERIOD Started 01/12/2005
EXPIRATION DATE 03/31/2005

THIS IS YOUR OFFICIAL NOTICE THAT IF GROSS SALES TAX IS NOT PAID WITHIN 60 DAYS FROM ABOVE EXPIRATION DATE, A DISTRESS WARRANT MAY BE ISSUED TO SATISFY THE TAX DEBT. FURTHER NOTIFICATION OF EXPIRATION IS NOT REQUIRED BY LAW. PLEASE MAKE NOTE OF THESE DATES.

IF PAID BY CHECK, THIS LICENSE VALID ONLY AFTER CHECK IS PAID

THIS LICENSE DOES NOT PERMIT OPERATION UNLESS PROPERLY ZONED, AND/OR IN COMPLIANCE WITH ALL OTHER APPLICABLE LAWS/RULES


DEPUTY CLERK SIGNATURE PD wk13 Drawer 13 Site 1

-- POST AT LOCATION OF BUSINESS --
IF BUSINESS CLOSES, MOVES, OR CHANGES OWNERS, NOTIFY THIS OFFICE

FIRST PHONE
INCOME STATEMENT FOR THE YEAR ENDED
DECEMBER 31,2004

SALES		\$129,379 00
COST OF GOODS SOLD		<u>\$101,001 00</u>
GROSS MARGIN		\$28,378 00
OPERATING EXPENSES		
SELLING EXPENSES	\$1994 00	
ADMINISTRATIVE EXPENSES	<u>\$3325 00</u>	
TOTAL SELLING & ADMINISTRATIVE EXPENSES		\$5319 00
INCOME BEFORE TAXES		\$23,059 00
NET INCOME BEFORE TAXES		\$23,059 00
INCOME TAXES		\$4611 80
NET INCOME		\$18,447 20

FIRST PHONE

BALANCE SHEET AS OF DECEMBER 31, 2004

CASH	\$13,597 00
TOTAL CURRENT ASSETS	\$13,597 00
PROPERTY, PLANT & EQUIPMENT	\$500 00
TOTAL ASSETS	<u>\$14,097 00</u>
ACCOUNTS PAYABLE	\$157 00
TOTAL CURRENT LIABILITIES	\$157 00
TOTAL LIABILITIES	\$157 00
STOCK HOLDERS EQUITY	\$13,940 00
TOTAL LIABILITIES & STOCK HOLDERS EQUITY	<u>\$14,097 00</u>

AGREEMENT

This AGREEMENT made and entered into this 1st day of January 2003 by and between Jack W. Pruitte of Clarksville, Tennessee (Pruitte) and David T. Holt and Holt & Company (I) of Fairview, Kentucky (Holt) shall evidence the following terms and conditions relative to matters of ownership and operation of First Phone (a Local Telephone Reseller) as follows:

OWNERSHIP

A. The ownership of First Phone shall be:

David T. Holt	50%
Jack W. Pruitte	50%

B. Whereas First Phone is currently owned by Holt, both parties agree to set up a separate vehicle of ownership and said ownership shall be:

David T. Holt	50%
Jack W. Pruitte	50%

When the new entity is established, Holt will transfer interest for \$100.00.

OPERATIONS

- A. Pruitte shall be in charge of the day-to-day operation of First Phone.
- B. All monies shall be handled through one bank account with monthly statements being provided to both parties directly from the bank.
- C. Both parties agree to come up with business solutions to enhance profits and build market share on a regular basis. This shall include but not limited to solicitation of agents, book purchases and word of mouth.
- D. Both parties agree to meet at least monthly to bring business strategy and discuss finances and planning.
- E. Both parties shall receive quarterly financials from a reputable bookkeeper mutually agreed upon. Any expenditure over \$1000.00 shall be agreed upon by both parties (except Bellsouth Payment).
- F. Pruitte shall be compensated at a rate of (\$500.00) Five Hundred Dollars per month for entire operations with payment being made the first day of each month beginning June 1st, 2003.

PROFIT STRUCTURE

- A. Net profits shall be distributed on a quarterly basis beginning June 15, 2003 with the initial payment on said date reflecting net profits from January 1, 2003 (point of last distribution) to June 15, 2003.
- B. Adequate monies shall remain in the account to cover fixed cost and Bellsouth anticipated cost for a period of (2) two months.
- C. The net profit distribution shall be made on the following basis:

Jack W. Pruitte	60%
David T. Holt	40%
TOTAL	100%

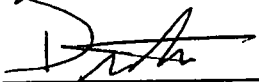
(Company control and ownership is 50/50)

This AGREEMENT is effective as of January 1st, 2003 and shall remain in full force and effect for a period of (10) ten years from the date herein. Any disputes arising under this agreement or relationship shall be resolved by an agreed upon arbitration, agreed upon buyout or the laws of the State of Tennessee.

Agreed to and executed this 1st day of May 2003.



JACK W. PRUITTE



DAVID T. HOLT



DAVID T. HOLT
HOLT & COMPANY (I)



WITNESS



WITNESS



WITNESS